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Report Highlights:

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- **FORTIFIED FLOUR RE-LAUNCHED**
- **CNA ASKS CONGRESS TO INCREASE SAGARPA BUDGET**
- **NUEVO LEON INVESTORS SEEK BIO-FUEL PROJECTS**
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Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
Mexico [MX1]
[MX]

Welcome to Hot Bites from Mexico, a weekly review of issues of interest to the U.S. agricultural community. The topics covered in this report reflect developments in Mexico that have been garnered during travel around the country, reported in the media, or offered by host country officials and agricultural analysts. Readers should understand that press articles are included in this report to provide insights into the Mexican "mood" facing U.S. agricultural exporters. Significant issues will be expanded upon in subsequent reports from this office.

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SAGARPA ANNOUNCES ELIMINATION OF RURAL PROGRAMS

The Secretary of Agriculture, Alberto Cardenas-Jimenez, recently stated that 55 programs in the agricultural sector will be compressed to nine programs due to duplicate efforts in those programs. Cardenas assured that restructuring the programs and its regulations are a fact. "We are positive that we will eliminate excessive spending by reducing many programs," said Cardenas. He also stated that President Felipe Calderon considered cutting 3.4 percent of the resources allocated to the Agriculture Secretariat, 3.7 percent for the Agrarian Reform, and 3.8 percent for the Agrarian Tribunals. Cardenas recognized that all of the sectors in the government need bigger resources, but duplication has become a problem. Cardenas plans to address problems in the countryside, such as inefficiency, by improving the quality of the expenditures. (Source: Excelsior; 10/08/2007)

FORTIFIED FLOUR RE-LAUNCHED

President Calderon recently announced a nationwide re-launching of the fortified corn flour "*mi masa*", which will be distributed by DICONSA (a decentralized government institution that supplies basic products to marginalized sectors of the population). Calderon emphasized the importance of corn in the consumption habits of Mexicans, and reiterated his administration's efforts to maintain stable corn prices. The "*mi masa*" was developed under President Zedillo's administration and contains vitamin A, zinc, iron, and folic acid. The flour mix will be blended by MINSA and distributed by DICONSA. According to the contract with MINSA, approximately 2,000 MT of fortified flour will be distributed at a price of five pesos per kilo by the end of the year. (Source: Reforma; 10/12/2007)

CNA ASKS CONGRESS TO INCREASE SAGARPA BUDGET

"Although attention to the countryside should be a priority before the 2008 opening of NAFTA, the budget proposal does not reflect the sector's concerns," stated Jaime Yesaki-Cavazos, President of the Agricultural National Council (CNA). Yesaki-Cavazos, further stated that it is necessary for Congress to increase SAGARPA's budget (Agriculture Ministry) to reach 200 billion pesos. According to Yesaki-Cavazos, this increase would allow Mexico to respond to the minimum necessities that could occur with the full opening of NAFTA. (Source: El Financiero; 10/12/2007)

NUEVO LEON INVESTORS SEEK BIO-FUEL PROJECTS

A group of investors from Monterrey, in the state of Nuevo Leon, are interested in participating in bio-fuel production based on sugar cane projects, and they have already approached the GOM for assistance in locating potential sugar cane producing areas. So far, seven operations in Mexico's southern states have been analyzed. The investors asked the GOM to assist them with the rural land owners by settling any dispute that might cast a negative shadow over the project. A spokesperson from the Ministry for Agrarian Reform commented that, "We have a lot of potential in the rural sector, and we need to promote and support the strategic alliances between agricultural workers, private investors and the government. It's vital for agriculture." (Source: El Sol De Mexico, 10/06/07)

MISSED OPPORTUNITY FOR MEXICAN POULTRY EXPORTS

According to specialists, Mexico has missed excellent opportunities to export poultry to the United States due to the GOM's passivity, complemented by the industry's lack of "pressure" on the GOM to resolve this situation. Jaime Crivelli, President of the National Poultry Union (UNA), commented that UNA recently discovered that USDA requested, more than two years ago, information from Mexico's Ministry of Agriculture (SAGARPA) to certify that seven Mexican states were free from Newcastle's disease. According to Crivelli, that would have allowed the GOM to export poultry from those states, but that opportunity was lost due to SAGARPA's excessive bureaucracy and a lack of interest from the poultry industry. However, they have recovered the documentation and are now working with the new Administration to move the certification process forward. Nuevo Leon is expected to be the first certified state during the first months of 2008. (Source: Reforma, 10/08/07)

MEXICO REGISTERS A SORGHUM DEFICIT; IMPORTS GROW 17% IN VOLUME

Due to the increase in corn prices around the world, Mexican feeders have turned to sorghum as an alternative for their needs. This increased demand has affected domestic supply, which has been unable to satisfy the market by almost 1.5 million MT. However, the volume of imports (all from the United States) has registered a 17 percent increase from last year. Information from the Ministry of Agriculture (SAGARPA), reports that average prices of sorghum imports have gone from U.S. \$114 to U.S. \$166 per MT in one year. (Source: Reforma, 10/08/07)

BIO-FUELS LAW, CORRECTED AND READY

Last Tuesday, October 2, the Agriculture & Livestock Commission of Mexico's Lower House approved the final version of the corrected Bio-Fuels Promotion and Development Law, which was returned to Congress by President Calderon last September. The corrections deal with a change in the agricultural inputs that will be used as raw material for bio-fuels production. The corrected version of the law now states that bio-fuel production will not be exclusively based on corn and sugar cane, but from "products derived from agricultural, forestry, marine, biotechnology and enzymatic activities, without compromising the country's food supply". The new law also considers the creation of a Bio-Energy Commission in order to address the energy issues related to bio-fuel production. The corrected version of the law is expected to be approved "smoothly" in both the Lower House and the Senate. (Source: El Economista, 10/09/07)

TRADE LIBERALIZATION WILL HELP DOMESTIC AGRICULTURE

According to specialists from the Mexican Competitiveness Institute (IMCO), NAFTA's full implementation in 2008 will bring healthy competition and increased marketing opportunities

for corn, beans and sugar producers in Mexico. Manuel Molano, stated that trade liberalization eliminates price speculation and enhances productivity. "We used to have speculation when sugar was scarce, but prices will be more stable," said Molano. With regards to beans, new market opportunities will be created for those growers who are efficient in black and pinto bean production. However, a crop conversion mechanism is needed to ensure that non-competitive producers can find other alternatives for their lands. IMCO specialists also pointed out that consumers will have more options and accessible prices for these products, so they suggested growers change production schemes and avoid protectionist measures. (Source: Reforma, 10/09/07)

REPORTS RECENTLY SUBMITTED BY FAS/MEXICO CITY

NUMBER	TITLE	DATE
MX7071	Support Programs for Sinaloa White Corn	10/10/07
MX7070	Weekly Highlights and Hot Bites #29	10/5/07
MX7069	Sugar Semi-Annual 2007	10/1/07
MX7068	Weekly Highlights and Hot Bites #28	9/28/07
MX7066	Livestock and Products Annual 2007	10/01/07
MX7065	Additional Identification Requirements for Specific Agricultural Commodities	9/17/07
MX7063	Authorized Crossing Border Points for Specific Agricultural Commodities	9/11/07
MX7062	Weekly Highlights and Hot Bites #27	9/7/07
MX7061	Tree Nut Annual 2007	8/29/07

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